

Message Text

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13

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 /092 W

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O R 161110Z JUL 76

FM AMEMBASSY PARIS

TO DEPARTMENT OF TREASURY IMMEDIATE

INFO SECSTATE WASHDC 3024

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE PARIS 20762

PASS FEDERAL RESERVE AND COMMERCE

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: PARIS FOREX MARKET

REFTEL: PARIS 20623

1. SUMMARY: AFTER CLOSING YESTERDAY AT 4.80 TO THE DOLLAR, THE FRANC CAME UNDER HEAVY PRESSURE IN EARLY MORNING INTER-BANK TRADING. THE BANK OF FRANCE WITH-DREW WHEN RATE REACHED 4.83 AND RATE ROSE RAPIDLY TO 4.8550 TO 4.86 IN TRADING AT NOON. FOREX MARKET NOW EXPECTS FIRM INTERVENTION, PROBABLY JUST BEFORE BOURSE CLOSING AT 2:00 P.M. AND A RISE IN DISCOUNT RATE OVER WEEKEND. END SUMMARY.

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2. FINANCIAL PRESS TODAY REPORTING "THE FRANC

ENTERED THE ZONE WHERE THE GOVERNMENT WOULD LIKE TO STABILIZE IT, THAT IS TO SAY, BETWEEN 4.80 FRANCS AND 4.85 FRANCS TO THE DOLLAR." WHETHER THIS ZONE CAN BE ACHIEVED AT LEAST IN THE COMING WEEKS WILL DEPEND UPON ACTIONS BY THE GOVERNMENT AS FOREX MARKET NOW FEELS A RATE IN THE 4.90'S IS LIKELY. THUS, A RISE IN THE BANK OF FRANCE RATE THIS WEEKEND IS WIDELY EXPECTED. FAVORABLE FOREIGN TRADE NEWS, A TRADE SURPLUS OF 273 MILLION FRANCS IN JUNE, HAD NO APPARENT EFFECT ON FOREX MARKET TODAY.

3. DESPITE VERY LARGE VOLUME OF ORDERS, EUROFRANC RATE REMAINS AT 14 TO 15 PERCENT. PARIS MONEY MARKET RATES REMAIN SAME AS REPORTED YESTERDAY. FOREX ORDERS ARE FROM CORPORATIONS AND MOST BANKS REPORT VOLUME EQUAL TO THAT OF LAST MARCH PRECEDING WITHDRAWAL OF FRANC FROM EC "SNAKE". IF GOVERNMENT DOES NOT TIGHTEN MONETARY POLICY VERY SOON MOST SOURCES BELIEVE THIS WOULD MEAN GOF WILLING ACCEPT DOLLAR RATE OF 5 TO 1 OR POSSIBLY SOMEWHAT HIGHER. PARIS FOREX MARKET ALWAYS THINKS IN TERMS OF ZONES FOR THE FRANC MAINLY BECAUSE IT CONVINCED THAT GOF THINKS THIS WAY. THUS, PARIS FOREX MARKET WAITING FOR A SIGNAL. MOST EXPECT STRONG INTERVENTION IN SECOND SESSION OF BOURSE THIS AFTERNOON. CLOSING RATES WILL BE REPORTED SEPTEL.
RUSH

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Margaret P. Grafeld
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